

WASHINGTON STATE GAMBLING COMMISSION

MINUTES
COMMISSION MEETING
THURSDAY, FEBRUARY 11, 1993

Chairman Graham called the meeting to order at 1:30 p.m. at the Governor House Ramada Inn, Olympia, Washington.

MEMBERS PRESENT: PATRICK GRAHAM, Chairman;
 and WANDA MOSBARGER

OTHERS PRESENT: BEN BISHOP, Assistant Director;
 NEAL NUNAMAKER, Deputy Director;
 CALLY CASS-HEALY, Program Manager;
 TRICIA ALLEN, Financial Investigations;
 JACKI FISCHER, Financial Investigations;
 SHANNA LINGEL, Special Agent; JONATHAN
 McCOY, Assistant Attorney General; SUSAN
 CALU, Executive Secretary.

Chairman Graham said there is no quorum, so the only business will be to watch both the formal review and the follow-up review and video tape them so the other commissioners may watch them tomorrow. That way the presenters won't have to make another trip.

FORMAL REVIEW

40 et 8 #99
Vancouver

Tricia Allen said they are classified as a patriotic organization. They operate a Class K bingo game, and they also have a punchboard/pull tab license. Their statement of purpose has not changed from last year and they have over 200 voting members. Charitable services are provided indirectly through contributions and scholarship awards to four national programs: Americanism, Child Welfare, Nurses Training and other athletic activities. They serve their membership and over 14,000 of the general public. Services were provided by 1 employee and 19 volunteers. Contributions were over \$100,000 for the year and scholarships

were over \$38,000.

Ms. Allen said that net gambling revenues represent 93 percent of the total revenues, bingo net income was 79 percent. One employee is earning more than \$30,000 for the year. She introduced the spokesperson for the group, Lawrence Holley.

Mr. Holley said the group appeared before the Commission four years ago and presented books on the activity reports, child welfare, and Americanism reports, so they're not going to belabor the Commission with that paper now. He said documents submitted in December pretty well outline all of the activities they participate in.

Mr. Holley introduced the organization and explained its history.

Back in World War I, the soldiers were taken to the front in a box car that would hold 40 men or 8 horses and after the war ended, and the legion was formed and given the name "40 et 8", because there were 40 men in a box car and eight horses. Members must have done something that's a civic or legion or Americanism type of activity. The more than 200 members of the 40 et 8 are very active individuals.

Mr. Holley introduced the President, Hugh Carter, who will stay in office one year. Rod Strickland will follow him. He said the correspondent is George Stallin(sp??), who works up all the paper work. Our Commissar Attendant who has all the money is Paul Mason. He said the board is made up of himself, Fred Wolshine and Floyd Pinley, who are present, and other members who couldn't come today. Les Scott is the manager.

Mr. Holley said the outline shows that the organization contributes greatly to welfare programs in the areas of child welfare, and the nurses' scholarship program. They have Special Olympics, and community services they give to at Christmas time and throughout the year. They participate in the deaf and the blind school in the Vancouver area, have athletics, a drum and bugle corps, boys and girls state schools, a VA hospital to which they go once a month and put on a little bingo parlor game for those veterans and give them proceeds to help them; Travel Star, which is the Hodgkin's disease; and drug and alcohol abuse programs. On Veteran's Day, the organization sponsors Boy Scouts; they also have Junior Olympics and have service officers that help veterans as they need it. They sponsored a medal top honor group which was in Vancouver last year for its national convention. They sponsored American Legion Post 14, which had some problems, and sponsored the Miss Washington program. Other donations totaled \$166,831; and the previous year total was \$148,516 in

sponsorships. The reason for these funds not being more is the organization is in the process of buying land.

Mr. Holley said they purchased ten acres of ground, but have since discovered a wetland problem and have been in the courts for a year and a half of trying to get this straightened out. They finally got total approval to build, but it's taken considerably longer than first expected. He said they're not going to build anything that they can't pay for right now. They are in the process of putting of together a \$300,000 unit that will house their "locomotive" that runs around over the country for the 40 et 8 programs of the American Legion. That's Phase I.

Mr. Holley said Phase II will be putting the active bingo parlor up, which is going to be over a million dollars, so they're laying that money aside in the Building Committee Fund to replace the present building, which has a three year lease. They plan to leave the building and maintain the lease and donate the space to the community. He said they have, at times, given away as much as \$250,000. They sponsor about six programs that the members benefit from. In February, they have a "Chef's Night," and the primary goal is to aid and assist those in Clark County. He said they have tried to comply with the Gambling Commission rules and the percentage amount they give out, so that they don't drag members away from other bingo parlors. They have successfully been at that level ever since staff explained it four years ago. They ran into bridge problems, then ran into larger operations, but they've stayed in compliance with the state.

Chairman Graham asked if Commissioner Mosbarger had any questions at this time.

Commissioner Mosbarger asked if the Americanism and the boys state and girls state are separate programs or all combined.

Mr. Holley said they're all considered Americanism programs and they have letters from the people they've participated with.

Commissioner Mosbarger asked if they donate to Americanism and then have these others that they donate to also.

Mr. Holley said yes, that at Christmas time they donate funds to the Red Cross and Salvation Army for their Christmas baskets and so forth, and for their own veterans.

Mr. Bishop said this organization demonstrates a very positive role model for organizations, because four or five years ago, they were in somewhat of a problem area and they've certainly have turned it around and done a lot.

Chairman Graham thanked the group for taking the time to come up here and for the presentation. He said the reason for these reviews is to see what the people are like in the organizations and at the same time explain the responsibilities of a board. Gambling is one of the four "sin" commissions of the state, along with Horse Race, Lottery and Liquor Board and, licensees have a big responsibility out there. He said he wanted to comment that he and staff have worked with the Bingo Manager, Les, and find him very enjoyable to work with and very cooperative.

Chairman Graham said he'd also like to add to the records here that over a period since 1989, contributions total \$644,098, of which the City of Vancouver must be very proud. He said this video will be replayed to the other commissioners tomorrow and he has no doubt there will be a recertification coming immediately.

Chairman Graham said there is one other follow-up review that should be taped, and that is the Silver Buckle Rodeo Club. He called a recess and said the Commission would reconvene at 2:30 p.m. to hear their presentation

*****RECESS*****

Chairman Graham said the video of the Silver Buckle follow-up review will also be shown to the commissioners tomorrow at the meeting when there is a quorum for final disposition. He turned it over to Tricia Allen to lead off the program.

FOLLOW-UP REVIEW

Silver Buckle Rodeo Club, Vancouver

Ms. Allen said the final presentation today will be a follow-up special review on Silver Buckle. The general information about the licensee is included in the packet. It's Appendix H, concerning the types of programs that they offer, when they were licensed, and so on. There will be three staff members presenting the special report today; Ms. Allen, Jackie Fisher and Jeannette Brychell. Jeannette Brychell is the newest member in the Financial Investigations Unit. The follow-up report will be presented in three parts: a brief summary the reasons why a special review was called; the second part will be an overview of Silver Buckle's proposed corrective action plan; and the third part will be a summary of Silver Buckle's compliance with their plan.

Silver Buckle's special review was conducted in October 1990 before a public meeting. Although the payment of excessive wages

was the primary reason why the special review was called, some other issues were also discussed. One of those was the lack of independence between board members. Another was the lack of independence between family members who were in the management and employee position; and also a concern over inconsistent reporting to the Commission.

[Using Overhead Projector] **Ms. Allen** said in 1990, Silver Buckle's board consisted of eight members. Five of the eight members were either married or working as an employee in the bingo operation or for the club. During that time the president and treasurer were husband and wife. The treasurer was also employed as the primary bingo manager. The president was also the club manager or executive direct, and also the snack bar manager. The secretary was also a gambling employee.

Ms. Allen said it's important to note that the two top positions, the primary bingo manager and the executive director, were husband and wife, and they were also serving on the board. Given the nature of the treasurer, president, and secretarial duties, and the extent to which they controlled cash as employees and authorized transactions, it was clear that there may be a potential for a conflict of interest or inurement of funds.

Ms. Allen said that, in 1990, no written policies existed to prevent conflicts of interest between family members who were in a management or employee situation. The primary bingo manager was supervising many employees and she was responsible for authorizing the hours worked by these employees. The cashier was her mother, the maintenance person was her father, the bingo workers were her sister, daughter and son. The security person was her son and the snack bar manager was her husband. The issue was the lack of independence. The potential for conflict of interest was evident, since no formal policies were in place to minimize unreasonable and inconsistent procedures.

Ms. Allen said that staff determined that three positions were paid excessive wages. The primary bingo manager, the executive director and also the cashier. And this determination was made, primarily, on wage comparisons. Silver Buckle had the highest percentage of bingo manager wages as compared to the combined gross gambling receipts. These other licensees were in the Class K and above bingo class range.

The last issue was inconsistent reporting. Just a couple of the examples are inconsistent allocation of wages. In one report that we received, the gambling manager was allocating 89 percent of her time to the gambling operation and the balance was being devoted to other activities. But in the quarterly activity report, they

were allocating all of her wages to the gambling operation. The other example was a difference in actual wage paid. In this instance, the maintenance person was being paid nearly \$9 per hour, when the payroll guidelines submitted by the licensee were indicating just \$7 an hour.

Jeannette Brychell said the Silver Buckle submitted a corrective action plan to the Commission in November 1990, and that plan was subsequently approved at the January 1991 Commission meeting. She gave a brief overview of the four major issues that were covered in the corrective action plan.

Ms. Brychell said the first issue addressed was the independence of the members of their board of directors and among their management staff. Silver Buckle proposed to provide greater independence among the people who served on their board and between management staff and the employees that they oversee. They promised to amend the bylaws to provide that no officer, employee that's compensated by Silver Buckle or who has a business relationship with Silver Buckle would be allowed to serve on their board of directors. Any current board members who did have that type of relationship would be asked to resign and new members--or directors--would be recruited from the current membership. In terms of management structure; they proposed to develop an organizational chart which clearly illustrated the relationship between board members, employees and club members so that those relationships were fully disclosed.

Ms. Brychell said the ultimate authority for any personnel or management decisions would be given to the independent board. That board would develop and monitor a hiring policy for both club and gambling related positions, and also review and approve the hiring of all new employees.

The second issue was related party transactions or potential conflicts of interest. They proposed to draft and adopt a policy which would prohibit any future party related transactions. The bylaws were also to be amended to prohibit all commingling of access between members, employees and the club, and also to provide that no funds of the club would enure to the benefit or be distributed to members, employees or board members except for the payment of salaries or the reimbursement of expenses.

A third issue was payroll policies, specifically excessive wages. They proposed to establish payroll guidelines for each position that was paid by Silver Buckle, and to include standard starting salaries and pay ranges. The fourth issue addressed by the corrective action plan concerned internal accounting controls.

Jacki Fischer said on May 19, 1992, the structure of the organization was evaluated by the Board of Directors. As a result, the executive director, bingo manager, chairman of the board and other related parties left the organization at that time. The organization indicated that they would establish an independent Board of Directors. After the majority of the Board of Directors left, the organization struggled to find additional members who showed a willingness to participate and volunteer to be on the board of directors.

According to the organization's bylaws, the board should consist of not less than five and no more than seven members. Ron Bernhardt recently joined the board of directors, and he is there on a temporary basis, and there are two other positions on the board that are open. There are several related parties on the board of directors and within the organization. Even though these related parties exist on the board, they have implemented compensating controls. These policies are currently in place, and at one of the board meetings that staff attended, Ron Bernhardt abstained from voting on an issue related to a family member.

The board has yet to establish guidelines for potential conflicts of interest when a supervisory/subordinate relationship exists between family members. This was discussed with the president and board of directors. Based on our review and implemented policies, we feel adequate oversight exists from the board of directors over the club operation.

WAC 230-08-132 does not restrict related party transactions, but it does require disclosure of related party transactions in excess of \$1,000.00 with each certification report.

Ms. Fischer said that, on August 15, 1990, the board adopted a policy prohibiting related party transactions. These three immaterial related party transactions were noted in the review. These transactions occurred prior to the management change on May 19, 1992.

The establishment of a wage review committee by the board of directors consists of the board of directors, an administrator, and one general member. The board of directors approved these wage guidelines on May 26 and June 11, 1992. Wage levels are reviewed every six months, raises are determined by the length of service, and job performance.

Staff examined the 1992 information on wage levels of the bingo manager at Silver Buckle Rodeo Club. There was two percent of the gross gambling receipts paid as wages for Silver Buckle's bingo

manager. There has been a significant decrease to 1.39 percent. This is compared to the top five bingo games in the state of Washington in 1992.

Accounting control weaknesses were reviewed and deficiencies were discussed with the president, board of directors and other management. There were three main areas of concern. The employees who have access to significant assets are not bonded. One person has control of the cash from bingo operations, and snack bar assets and inventory was not adequately safe-guarded. These, along with other internal controls suggestions were communicated to the board of directors at an exit conference conducted on January 11, 1993. The board had already implemented several of the suggestions and were open to examining the cost benefits of implementing the other suggestions. Even though internal controls can be improved, there is no indication of any problems in these areas.

This financial comparison is presented to demonstrate the organizations progress toward its stated purpose for the six month's ending June 30, 1992. We used the six-month period because this was the most recent financial information that was available. As you can see here, the administrative expenses, percentage wise, decreased significantly and direct program expenses increased significantly, and this is a trend that we feel is favorable.

The goals for the future of Silver Buckle Rodeo Club include to conduct a membership drive. They plan to add 30 new members on February 22, 1993. They hope that these new members will be willing to fill the vacant board positions. They also plan to complete their rodeo arena to allow for increased activities. And they plan to improve and expand their current scholarship program. Right now there are four youth-members which are eligible \$2,000.00 per year in scholarship funds. They plan to add five new \$500 academic scholarships to be given outside of the organization. They hope that this will bring about more public awareness for Silver Buckle Rodeo Club and their programs, and increase their membership.

Ms. Fischer said that, based on the agency's policy of voluntary compliance, the results of the examination, the improvements noted, and conversations with the organizations management, staff has full confidence in recommending recertification to Silver Buckle Rodeo Club as a nonprofit athletic organization. Representatives of the Silver Buckle Rodeo Club are here to answer any questions.

Michelle Bernhardt, administrator, introduced Beverly Arnold,

bingo manager, and Jim Price, chairman of our board. She said that 1992 was a year of a lot of changes for Silver Buckle. In February 1992, we added 23 adult members and 9 youth members to our membership. In May, the management, as you saw, for both our bingo activities and our club activities changed, and the new management, along with the board of directors started a long process of reviewing and, in some instances, restructuring all club activities and programs.

In expanding the scope of the programs, she said they were able to provide help to numerous organizations. Along with monthly food baskets and food donated to the Share House in Vancouver, they donated to the Hospice Southwest, American Cancer Society, Washington State Council of Fire Fighters, People in Need, and the March of Dimes. They donated art supplies to Pacific Junior High School, playground equipment to the Glenwood Heights Elementary School, and financial help to the Loren Middle School yearbook. They paid the rent of the Clark County Fairgrounds so that the horse clubs could have a safe place to hold their Harvest Days 4-H fair. They donated awards to the Cayuse Junior Rodeo Association, Washington State High School Rodeo Association, Molala High School Rodeo, Rawhide Junior Rodeo Association, and the Northwest Western Festival, the Fort Vancouver Days Stampede, and the handicapped Equestrian Learning Program.

The club also joined the Washington State Horse Council to keep in touch with other horse clubs in the state of Washington, and donated building decorations and hobby supplies to the Rudy Lipkey Center for Senior Citizen's programs.

Ms. Bernhardt said that, every Tuesday evening during the summer, they open the arena to youth to learn how to ride bulls, calf roping and steer wrestling. They averaged 25 to 40 youth per evening, with kids coming from as far south as Salem, Oregon. We presently have a list of over 200 youth wanting to participate in our free summer rodeo skills programs. Most of these kids do not have horses of their own or even live in our county, because the word has spread that we are providing these services for free. She invited the staff and commissioners to come down and watch any time and watch the kids take part in the programs. The program is run entirely on volunteer help and is free to all the children participants.

On August 27, the Crossroads Community Church bussed their members to their arena for a demonstration rodeo. They showed seven rodeo events and also loaned some livestock to the Molala High School Rodeo Team for use at their annual rodeo. All money at this rodeo is used to help with the team's expenses at the national high school rodeo finals in Shawnee, Oklahoma.

Ms. Bernhardt said they also donated floral sprays to the equestrian court of Clark County Fair. This group participates in the parades in the area and is also going to be participating in the Portland Rose Festival Parade. As fall and winter approached, they geared their energies toward improvements on the barns. Plans are to use the lower barn for rough stock practice and the upper barn roping instruction. This way the practices will not have to be canceled because of poor weather.

In December, members shopped for toys and Christmas gifts. We sponsored four families, plus we donated toys to the Shriner's Hospital, Neighbor's Helping Neighbors Program, the Vancouver Sharehouse, Mountain Glow High School Honor Society, and three Vancouver fire districts. All of these organizations had toy and food drives for the holiday season. They are well into and planning projects for 1993. They are expanding membership again and have plans to improve our grounds and bingo hall. They are very enthusiastic and excited to begin weekly skills instruction in addition to skills and riding practice. The youth involved give all the members a very positive outlook toward life and the future of the club.

Chairman Graham asked how many active members there are at this time.

Ms. Bernhardt said there are currently 34 adult members. They have just voted on 28 more that will be joining February 22, bringing the total to 62. Counting youth members, it currently numbers 100.

Chairman Graham asked what happened to the Farbers.

Ms. Bernhardt said they haven't seen or heard from them for over a month, they're not participating in activities, nor are they members.

Chairman Graham asked for the date or a related party transaction where eight children participated in the young champion's sponsorship program.

Ms. Allen said that was during their last fiscal year. It ended in December 1991.

Ms. Bernhardt said the Young Champion's Sponsorship Program is a program that provides reimbursement to the youth for expenses incurred at rodeos or horsemanship practices. It occurs throughout the year. They are given a limit of \$200 per month

that they can be reimbursed for their expenses and it has helped send a lot of youth to national championships and things like that.

Mr. Bishop asked the new members to provide more people to fill the board. He said this organization has come a long ways and staff has a very good working relationship now. He said he would concur and give support to recommending that they be certified.

Chairman Graham said he hopes that those who are now in command or in leadership within this organization understand the concerns and the laws of the state of Washington of why the bingo games are a privilege given to nonprofit organizations, if they're used correctly. He said staff will show this to the other commissioners tomorrow.

WASHINGTON STATE GAMBLING COMMISSION

MINUTES
REGULAR COMMISSION MEETING
FRIDAY, FEBRUARY 12, 1993

Chairman Graham called the meeting to order at 10:05 a.m. at the Governor House Ramada Inn Hotel, Olympia.

MEMBERS PRESENT: PATRICK J. GRAHAM, CHAIRMAN;
COMMISSIONERS ROBERT M. TULL and WANDA
MOSBARGER

OTHERS PRESENT: FRANK MILLER, Director; SHARON TOLTON,
Special Assistant to the Director, BEN
BISHOP, Assistant Director, Licensing and
Financial Support; NEAL NUNAMAKER, Deputy
Director; JONATHAN McCOY, Asst. Attorney
General; CALLY CASS-HEALY, Financial
Reporting; SUSAN CALU, Executive
Secretary.

Chairman Graham said because there was not a quorum yesterday, Sharon will cover Friday's agenda, then we'll back up and go to Thursday's agenda and complete the business for this month. Commissioner Divine could not be present today due to fog at the airport.

APPROVAL OF THE MINUTES

Commissioner Mosbarger moved to approve the minutes from the January 15, 1993, meeting at SeaTac. Commissioner Tull seconded the motion, motion carried.

STAFF REPORTS

Mr. Miller gave a summary of legislative activity and said there is very little going on in the Legislature this year with regard to gaming. About two weeks ago, the Majority Leader, Mark Gaspard and the Speaker of the House, Brian Ebersole came out and basically claimed that there would be a moratorium on any new

bills to expand gambling in the state of Washington, pending completion of a task force study that would examine the policy of gambling in this state and try to set some futuristic direction to it, if you would. He said they've been very cautious on what bills have been allowed for hearing, and in fact, some bills are coming for even testimony without even being a formal hearing.

Mr. Miller said there was a hearing today on a bill that would have raised the cardroom number of tables from five to eight; would have allowed house-dealt blackjack in those cardrooms; would have created a state tax of \$500.00 per table and also would have contributed \$500,000.00 to be used for problem gambling education and awareness. The bill also had a second part to it, which really amended the commercial stimulant statute. He testified this morning on behalf of the agency did not take positions on matters of expansion. Certainly, those activities can be regulated as we have proven up north, but they are a policy issue that needs to be examined.

Mr. Miller said that, with tribal gaming, the Commission expects eight more casinos, possibly within the next year. The impacts to this agency, not only from a regulatory standpoint, but from a fiscal standpoint, a licensing standpoint, a computer standpoint are all there. Staff is trying to streamline and prioritize regulation in the other areas, such as the bingo and pull tabs, and hopefully, changes on how to approach these in the future, so that we can focus on priorities.

Mr. Miller said the time has come to review the commercial stimulant requirement and that it's not really needed because the market controls this industry. Cardrooms are limited to five tables per cardroom and the vast majority don't have five tables. The market controls what they can do. There are some 2200 pull tab operations commercially that really are limited by their market and not by the food and drink sales that go there. The Commission has continually adjusted that formula down now to a 70/30 ratio. That was done over the years to allow many owners just to survive given the policy on alcohol and it seems that the time is ripe for the legislature to look at that statute, and not change the fact that a food and drink business--they would still have to be a food and drink business--we would set the formula, but it would take away the language of incidental and those types of words that would allow us to really remove a lot of record keeping and a lot of time that we have to do to at least monitor their compliance. That was pretty favorably looked at, and there may be some movement there. In 1973 that was a very appropriate standard. I think in 1993 it's become more questionable.

Mr. Miller said the other major bill this year would allow for

numerous charitable casinos throughout the state, run by private companies, license-certified by this agency, on behalf of charitable that would be allowed to take 45 percent of the profits on a daily basis. This is basically a version of the Canadian model. This bill has a lot of sponsorship, and it's been getting a lot of discussion in the halls and up on the hill. It may not get anywhere due to the moratorium mentioned earlier.

Mr. Miller said there is also a bill Monday morning in the area of wages for bingo management. He said the commission majority has had a certain policy, and there is a bill to make that requirement permissive not mandatory. The video poker bill is up again for the fifth time in a row. He said he doesn't think it's going to be one that will be looked upon, although we know that revenue is a difficult situation this year for the state and certainly those types of issues can pop up at the last minute. The bill to abolish the Gambling Commission, the Liquor Board and the Horse Racing Commission, and form the Liquor and Gaming Board, seems to be dead on arrival. He said it's important to look for efficiency in government, and if someday a combination of agencies is the way the state should go, then that may be the way, but that piece of legislation just destroys a lot of authority.

Mr. Miller said the next issue is staffing. He said he made a commitment to the people of this state and to the legislature, and to everyone here, that the agency would, in fact, regulate the activity thoroughly. There will be potentially 3,000 new applicants a year. When you take what we currently do and add another 3,000 license applications, its a significant increase on the number of licenses being processed. Each one has to go through a background investigation. He said there are more company background checks to do now also, and they require checks into multifaceted businesses with many subsidiaries in different things. Corporations that have been involved in the gaming industry for years that require extensive amount of funding to do a proper background investigation. The agency put the people authorized two months ago on staff in the Financial Investigations Unit and in Licensing. A report is being worked on to show projected impacts of tribal gaming facilities on staff and how many new staff are projected. He pointed out that this will be funded by the tribal governments that are under compact. It will not be funded by the licensees of the state.

Mr. Miller said the final area to cover is yesterday's report on problem gambling that was funded by our State Lottery Commission was released. It was a very informative report. We have copies for you. Sharon will, next month, give a formal briefing to all licensees here on the report and summarize it. There is a problem with a certain percentage of the population that gambling is a

difficult situation. The key to this will be education, awareness, and continued effort on our part, other state agencies and, hopefully licensees as well, to really work together to try to educate.

Mr. Miller said the agency is under contract with the State Council for Educational Information and currently authorize \$60,000 per year to help support them. That is one step in which all licensees certainly are having some contribution there, because it does come out of our license fees. It is an area in the future that is going to take more commitment and now it's an area that will be looked upon when gambling policy is examined in this state. It's one to become informed on and become proactive. The Gambling Commission advises the state council and Sharon Tolton has been recently appointed to the National Council on Problem Gambling, so the Commission does have a say in this policy arena. It is important to have the industry and those involved not from an industry standpoint working together to help look at this problem. The report is an excellent report, and staff will give a briefing next month.

Ms. Tolton said there is just one rule on the agenda for final action today. A mandatory section to WAC 230-02-035, Field Offices and Operations. This rule is up for final action and will amend commission addresses for administrative and field offices. It adds King County Region and updates current addresses for other offices throughout the state of Washington. Staff is recommending final adoption.

Chairman Graham asked if the Eastern Region address is correct for the Spokane office.

Mr. Miller said they have a new address now, and staff will correct that before we give you the final.

Chairman Graham asked if anybody wishes to make any comment on the addresses on item 3A. **Commissioner Tull** moved for final adoption.

Commissioner Mosbarger seconded the motion, with the clarification, motion carried.

Ms. Tolton said that Item 3B is up for discussion only with final action in March. This is an amendment to WAC 230-40-120; Limits on wagers in card games--Exception--Washington Blackjack. This amendment was proposed by staff in conjunction with the Cardroom Study Group, and establishes a wagering structure consistent with offered games in standard industry practices. Section (1) should that \$5 be also changed to \$10. Staff is recommending further

discussion and again, and will not take final action on this rule until March.

Mr. Nunamaker said yes, it's supposed to be ten and should be corrected.

Ms. Tolton said it would be corrected for the next agenda.

George Teeny, card room licensee from La Center, also speaking for the RGA, which worked with the Gambling Commission's director, the Assistant Director, and the Deputy Director on this rule change. He said this proposal is to standardize with the rest of the gaming industry throughout the country, and one of the biggest complaints has been from the players themselves. A more than 400-signature petition was sent to the Gambling Commission and/or to staff to review from players that stated they wanted to put the wagering equal with Nevada, California, Connecticut and the rest of the gaming world. Basically, what this is trying to do is establish the same type of betting structures.

Chairman Graham asked for questions and said this is not up for final adoption, this is only for discussion at this time.

Ms. Tolton said that Item C(1) is an amendment to WAC 230-04-010 Monthly Records. The rule is up for discussion and possible filing presented by staff. This rule would add computerized record keeping requirements, and staff is recommending filing at this time.

Mr. Miller asked if this codifies the policies and how staff has worked in the past with these licensees.

Mr. Bishop said that, now, authorized computerized records entries labels are printed under certain standards and this delineates those standards. He said he thinks that there's some general language that needs to be put in here that was overlooked. It needs to be positively stated on the underlined area on the first page, at the bottom of it, it probably should start with, "Provided other that computer generated records are authorized under . . . " and then it continues on. The provided says, "Labels shall be used," and so it gets ambiguous below it, if you don't then come with another legal saying, " . . . but, if . . . then--"

Mr. Miller said he'd like to clarify that language and bring this rule back in a few minutes. It will be refiled next month, corrected, and it won't be effective until July.

Chairman Graham said he'd put it on continuation.

Ms. Tolton said Item 3C(2) is an amendment to WAC 230-08-090, Daily records-Card games, for discussion and possible filing will simplify record keeping requirements and cut printing costs; is proposed by staff, namely Deputy Director Neal Nunamaker. note that there is a very unusual item under number (7) which cuts costs for the agency, as opposed to adding costs, and savings expected is \$4,000 in printing and 100-man hours delivery time. Basically, what this rule will do is delete a three-part form and return it to a one-part form.

One licensee had negative comments, because she prefers the three-part form, although she only uses two parts of it, and staff suggested that she could photocopy and deliver the other one wherever it was going.

Commissioner Tull moved it be filed for consideration, **Commissioner Mosbarger** seconded the motion; motion carried.

Ms. Tolton said that item C(3)--sub(3)--is an amendment to WAC 230-30-072; Punchboard and Pull Tab Inventory Retention Requirements. This is the item that relates to Item C(1) in that it adds computerized record keeping requirements, and staff is recommending filing at this time.

Mr. Miller said he'd like to continue this also and bring it back next month.

Chairman Graham agreed and moved to Item C(4).

Ms. Tolton said that item C3(4) is an amendment to WAC 230-30-106; Standards for flares, made by manufacturers, distributors, operators; for discussion and possible filing, and presented by staff. The recent increase in prize limits for punchboards and pull tabs, the staff believes, increases the potential for manipulation. With this prize structure, it would greatly increase the difficulty of such manipulation, and staff is recommending filing at this time.

Commissioner Mosbarger moved for filing; **Commissioner Tull** seconded the motion, motion carried.

Ms. Tolton said that item 3C(5) is an amendment to WAC 230-30-300; Recall of defective punchboards, pull tabs or pull tab dispensing devices. This item is up for discussion and possible filing; presented by staff. Recent recalls have disclosed that no mechanism currently exists to ensure that affected distributors and licensees are treated fairly by manufactures required to

recall these products. Staff is recommending filing.

Commissioner Tull moved to file for consideration; **Commissioner Mosbarger** seconded the motion, motion carried.

UNFINISHED OR OTHER BUSINESS

Mr. Nunamaker said there is an addendum item; a request for pull tab dispensing device approval, a copy of which Ms. Tolton has provided to each of the Commissioners. Mr. Ed's Bingo and Casino Supply is amending an electronic pull tab dispensing device for your review and approval. It has been reviewed by the staff, and we recommend approval of that machine.

Mr. Nunamaker noted that this electronic machine has a bill acceptor, and the Commission requested that the manufacturer put on a sign that the machine did not give change. This machine has that already on it.

Commissioner Tull said he'd like to ask Neal or Frank if it's clear that the machine that the Commissioner approves with that language in place is approved only with that language.

Mr. Miller said a rule will be needed.

Mr. Nunamaker said the rules have been drafted and they are in typing right now.

Mr. Miller said it will be ready next month, but they've agreed to put the sign on.

Commissioner Mosbarger moved for approval; **Commissioner Tull** seconded the motion; **Chairman Graham** said it has been moved and seconded for the approval of the pull tab dispensing device as described, motion carried

FUTURE DISCUSSION TOPICS

Ms. Tolton the items that are listed under future discussion topics under number six are available at the back of the room. Staff will utilize these in the study group Thursday meetings when they pertain to those groups.

Chairman Graham said the Commission will now take up the Thursday agenda items to be taken care of this month. There wasn't a quorum yesterday. Commissioner Keefe has gone under eye surgery and was unavailable. Commissioner Divine could come in because of fog.

The first thing on the agenda will be the licenses changes and

withdrawals.

LICENSES, CHANGES and WITHDRAWALS

Commissioner Tull moved that the licenses changes and withdrawals be approved or disposed of in the course of the recommendations set forth in the commission packet. **Commissioner Mosbarger** seconded the motion, motion carried.

40 et 8, Vancouver

Chairman Graham said the formal review heard yesterday will now be replayed for Commissioner Tull, who was unable to make it for the presentation yesterday.

Commissioner Tull said that wouldn't be necessary because he has the written materials and that the hearing is intended to be a requirement from the Commission's perspective, but rather from presentation. **Commissioner Tull** moved for recertification of 40 et 8; **Chairman Graham** seconded the motion, motion carried.

RECERTIFICATIONS

FOE 24 Aberdeen

Cally Cass-Healy said they are classified as a fraternal organization with a Class D bingo license and a Class A raffle license. Their statement of purpose is unchanged from last year.

They currently have 17,092 voting members. The organization maintains a multipurpose lodge for its members in Aberdeen. The lodge is open seven days a week and provides services for members.

Other charitable and civic services are provided indirectly through volunteer projects and cash contributions to various individuals and organizations in the community. The club served all its members and approximately 2,000 general public last year.

Services are provided by 29 employees and 300 volunteers. Contributions were almost \$10,000.00, scholarships were \$1,000.00.

Net gambling revenues totaled 38.5 percent of total revenues, and punchboard/pull tab net income was 38.7 percent of total revenues.

Direct program services were 56.9 percent of total expenses. Staff recommends recertification as a fraternal organization. She said that, in Attachment B there was a typo. Instead of \$21,000.00 for wages for the secretary, it should be \$12,000.00.

Commissioner Tull moved to recertify FOE 24; **Commissioner Mosbarger** seconded the motion, motion carried.

FOE 3358

Granite Falls

Ms. Cass-Healy said they are currently classified as a fraternal organization, have punchboard/pull tab license Class H, with no other gambling license. Statement of purpose has been unchanged since last year. They maintain a recreational and social club for members in Granite Falls, which is open seven days a week. Charitable services are provided directly through volunteer projects and indirectly through cash donations to other nonprofit organization in the community. The club serves approximately 788 members, 530 auxiliary members, and approximately 260 members of the general public. Services were provided by 3 employees and 200 volunteers. Contributions were over \$4,000.00. Punchboard/pull tab net income was about 44.5 percent of the total revenues and direct support of their program services was 76.6 percent of their total expenses. Staff recommends recertification as a fraternal organization.

Commissioner Mosbarger moved to recertify; **Commissioner Tull** seconded the motion, motion carried.

LOOM 1109 Chehalis

Ms. Cass-Healy said this group, the Loyal Order of the Moose 1109, is currently classified as a fraternal organization. They have a license for punchboard/pull tabs Class G and, also, a Class D bingo license. Their statement of purpose is also unchanged from last year. Their membership consists of 753 voting members. The organization operates a recreational and social facility that provides services to members, including a social game room, and also support for Moose Heart and Moose Haven. Other charitable and civic services are provided indirectly through cash contributions and by donating space to other charitable organizations in the community.

The club serves 753 members and approximately 100 members of the general public. Services were provided by 6 employees and 20 volunteers. Contributions were over \$9,000.00 and \$600.00 were provided in scholarships. Fifty-six point nine percent of total revenues were from net gambling. Punchboard/pull tab contributed 47.5 percent of those revenues. Direct program services came to 88.3 percent of total expenses. Staff recommends recertification as a fraternal organization.

Commissioner Mosbarger moved for recertification. **Commissioner Tull** seconded the motion, motion carried.

VFW 7392

Oak Harbor.

Ms. Cass-Healy said this organization is classified as a patriotic organization, and they have Class G punchboard/pull tabs license and also a Class D bingo license. Their statement of purpose also remains unchanged. Their membership currently exists of 940 voting members. The organization maintains a facility that serves as a community service club for members seven days a week. Volunteer projects include dispersing medical aid, visiting nursing homes, funding senior citizen and youth activities. Other charitable and civic services are provided indirectly by donating meeting space to nonprofit groups, awarding scholarships and contributing cash to individuals and organizations in their community. The club served 940 members and 200 of the auxiliary club. Services were provided by 12 employees and 5 volunteers. Contributions were over \$4,000.00. Scholarships over \$2,000.00. Net gambling revenues provided 24.5 percent of total revenues. Punchboard/pull tab net income provided 18.1 percent of that. They spent approximately 86.5 percent of the total expenses for program services. Staff recommends recertification as a patriotic organization.

Chairman Graham asked for a follow-up on current plans that they to remodel, because some of these people are just constantly saying they're going to remodel and using that as their reasoning for having a large amount of money in the bank. **Ms. Cass Healy** said yes, staff requested follow-up on the remodeling. **Commissioner Tull** moved for recertification; **Commissioner Mosbarger** seconded the motion, motion carried.

Chairman Graham said the next item is the review that was held yesterday and is on tape, the Silver Buckle Rodeo Club of Vancouver, Washington. **Commissioner Tull** said he'd be more interested in seeing this one.

[Viewing of tape.]

Commissioner Tull said he'd like to make some comments. He said the Commission has struggled in the period since 1985 with a number of issues involving compensation of employees overlapping rules, and the whole issue of how to regulate wage levels and how to prevent private inurement resulting from control of gaming operations. He's very pleased that Silver Buckle has been salvaged and said that, had they not taken these drastic measures, there is no doubt the commissioners would have insisted on revocation. While there is still some reluctance to start setting or establishing wage limits and wage controls, he believes that in any instance where there isn't an independent board working to actually control and operate their organization, then almost any

wages are going to be suspect. In the next few months and years it is important for the Commission to take a very careful look at all organizations that are controlled by a persistent, never-changing group, and make sure that they have the combination of internal controls and functional board to make sure we stay out of these roughs. **Commissioner Tull** moved for recertification of the new Silver Buckle, and he said congratulations to all those who worked on it both inside and outside this agency; **Commissioner Mosbarger** seconded the motion, motion carried.

Chairman Graham said the Commission will now go into an executive session to discuss pending litigation and asked that the room is cleared, except for those people who are involved. Public meeting adjourned.

NOTE: THESE PRINTED MINUTES PLUS THE TAPES CONSTITUTE THE FULL MINUTES.

Susan D. Calu
Executive Secretary